

Message Text

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12

ACTION EUR-12

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

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AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

AMCONSUL BELFAST

C O N F I D E N T I A L LONDON 03266

E.O. 11652: GDS

TAGS: EGEN, EEC, UK

SUBJECT: EC RENEGOTIATION: THE HOME STRETCH

REF: (A) EC BRUSSELS 1770, (B) EC BRUSSELS 1760

SUMMARY: THE UK CONSIDERS THAT FOUR ISSUES REMAIN TO BE SETTLED IN EC RENEGOTIATION: THE BUDGET, NEW ZEALAND, INDUSTRIAL POLICY AND REGIONAL POLICY. IT EXPECTS NEGOTIATIONS ON THESE POINTS TO BE CONCLUDED EITHER AT THIS WEEK'S EC COUNCIL MEETING OR AT THE HEADS OF GOVERNMENT MEETING IN DUBLIN ON MARCH 10-11. THE
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RESULTS OF RENEGOTIATION WILL THEN BE ASSESSED IN A

WHITE PAPER WHICH THE GOVERNMENT INTENDS TO ISSUE IN THE
FOURTH WEEK OF MARCH. END SUMMARY

1. ACCORDING TO JOHN FRETWELL (HEAD, EUROPEAN INTEGRATION, INTERNAL, DEPARTMENT, FCO), THE UK EXPECTS THAT THE DISAGREEMENTS AMONG THE MEMBER STATES OVER THE COMMISSION'S PROPOSAL FOR A CORRECTIVE MECHANISM FOR THE EC BUDGET (SEE REFTEL A) WILL BE RESOLVED WITHOUT UNDUE DIFFICULTY AT THE DUBLIN HEADS OF GOVERNMENT MEETING.

2. ON NEW ZEALAND, FRETWELL INDICATED THAT THE UK'S PROPOSAL FOR A FIRM THREE-YEAR GUARANTEE FOR BUTTER IMPORTS AFTER 1977 (PARA 4, REFTEL A) IS AN OPENING BID, AND THE BRITISH WOULD PROBABLY SETTLE FOR SOME KIND OF DECLARATION OF INTENT. THE UK ARE USING THE MARCH 3-4 COUNCIL MEETING TO TEST THE WATER, IN ORDER TO SEE WHAT MIGHT BE NEGOTIABLE AT DUBLIN.

3. ON INDUSTRIAL POLICY, THE UK INTENDS TO INFORM THE EC COUNCIL AT ITS MARCH 3-4 MEETING THAT THE BRITISH GOVERNMENT HAS RESERVATIONS ABOUT SOME PROVISIONS OF THE EUROPEAN COAL AND STEEL COMMUNITY TREATY, WHICH APPEAR TO RESTRICT THE UK'S POWER TO REGULATE BRITAIN'S STEEL INDUSTRY. THE UK WILL MAKE IT CLEAR THAT IT DOES NOT EXPECT THIS MATTER TO BE RESOLVED UNTIL AFTER THE UK'S REFERENDUM. AS FRETWELL SAID, IT CAN THEN BE DEALT WITH AS A NORMAL PIECE OF COMMUNITY BUSINESS, WITHOUT THE THREAT OF BRITISH WITHDRAWAL FROM THE EC. MENTIONING THIS MATTER TO THE COMMUNITY NOW, ON THE OTHER HAND, WILL HOPEFULLY DEFLECT THE ARGUMENTS OF THE ANTI-MARKET ELEMENTS IN THE GOVERNMENT THAT EC MEMBERSHIP RESTRICTS BRITAIN'S FREEDOM TO MANAGE ITS ECONOMY.

4. ON REGIONAL POLICY, THE UK IS SATISFIED WITH THE COMMISSION'S COMMUNICATION ON THE COORDINATION OF MEMBER STATE REGIONAL AIDS (REF B). IT IS CONCERNED, HOWEVER, THAT FRANCE WILL ATTACK IT FOR BEING TOO PERMISSIVE, AND THAT THIS ISSUE WILL REMAIN OPEN. THE
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UK WOULD LIKE TO SEE THE COUNCIL ADOPT A RESOLUTION ENDORSING THE COMMISSION'S VIEWS. FAILURE TO ACHIEVE THIS NOW WILL NOT, HOWEVER, DELAY THE CONCLUSION OF RENEGOTIATION.

5. THE FCO IS ALREADY GOING OVER A DRAFT OF THE WHITE PAPER THAT WILL ASSESS THE RESULTS OF RENEGOTIATION AND THAT IS EXPECTED TO CONTAIN A GOVERNMENT RECOMMENDA-

TION THAT BRITAIN SHOULD STAY IN THE COMMUNITY.
ACCORDING TO FRETWELL, THE CABINET WILL DISCUSS THIS
WHITE PAPER IN THE THIRD WEEK OF MARCH, AND HOPES TO
RELEASE IT IN THE FOURTH WEEK, JUST BEFORE EASTER.

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